

THE **QUARTER** NEWSLETTER

PENNSYLVANIA DEPARTMENT OF BANKING AND SECURITIES



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A Well-Informed Marketplace



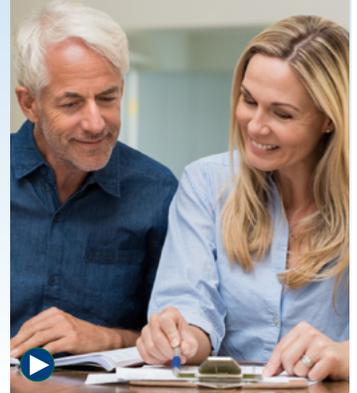
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## Why Protecting Consumers in Money Matters Makes Sense

By **Robin L. Wiessmann**, *Secretary of Banking and Securities*

In the past decade, the relationship between people and money has changed dramatically. **More...**



### Statewide Securities Conference Announced

The department will be hosting a statewide conference of investment professionals and regulators that will take place October 26, 2017. **More...**



### 1st Annual Consumer Services Office Report

Last month, the department published its first Consumer Services Office Annual Report. **More...**



### Wiessmann Appointed to National Committee

Secretary Wiessmann has been appointed to the Federal Legislation Committee of the North American Securities Administrators Association (NASAA). **More...**



### Investor Protection Campaign Launched

The department has rolled out the "Investor Protection" radio and social media campaign designed to help protect Pennsylvania investors from fraud. **More...**

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## Why Protecting Consumers in Money Matters Makes Sense

**Robin L. Wiessmann**, Secretary



In the past decade, the relationship between people and money has changed dramatically. Due to advances and innovations in technology, the ways we save money, spend it, invest it, borrow it, and lend it have only increased in variety.

While I cannot predict which advances or innovations will survive in the long term, I think it is clear that the changes consumers and businesses adopt will have enormous impact on our economy and the Pennsylvania business community.

In the midst of this change, we are witnessing several disturbing financial trends, including:

- Forty-five percent of Americans have nothing saved for their retirement;
- One in 10 Americans are being pursued by debt collectors;
- Student loan outstanding debt of Americans has passed \$1 trillion, and 30 percent of this debt is delinquent;
- The annual cost of financial abuse and exploitation of America’s senior citizens has grown to \$36 billion; and
- Each year, American investors lose \$17 billion from conflicts of interest.

At the Department of Banking and Securities, we are taking proactive steps to meet the challenge of helping people fund their financial independence head-on. Our Investor Education and Consumer Outreach programs offer free and non-commercial presentations across Pennsylvania at legislative expos, high schools and colleges, community group seminars, and senior citizens’ forums.

We also partner with groups like the Pennsylvania AARP Consumer Issues Task Force, the Investor Protection Trust, and the North American Securities Administrators Association, leveraging their resources to expand our reach.

We can also take a serious look at what other states – most notably Indiana and Utah – have done to bolster federal protections for employees who notify law enforcement and regulators about illegal activities within their companies.

Encouraging employees to come forward when they have information about fraudulent or illegal activity about “bad actors” helps to ensure a fair and transparent financial marketplace for everyone. I also think that offering assurances – either in the form of legal protections from adverse action by an employer or with incentive-based agreements – is one proven and effective way that we can prevent situations like Bernie Madoff’s Ponzi scheme from occurring over and over again.

More than any time in recent memory, consumers need to be well-informed about financial services, companies, transactions, and markets.

At the same time, citizens need their government to be proactive and effective in ensuring the integrity of the financial marketplace. Under Governor Tom Wolf’s leadership, we are helping consumers learn how to protect themselves from financial crimes and to invest wisely to grow their money.

Last month, I reported on our state government’s progress in protecting consumers in financial matters, and I look forward to several new initiatives and projects being launched in 2017: ([Press Release](#)).

No matter what happens next, we’ve got your back. Since 1891, the Pennsylvania Department of Banking and Securities has been working to help ensure the integrity of our financial marketplace and protect the financial futures of all Pennsylvanians.

# SAVE THE DATE

## Department Announces Statewide Securities Conference

The department will be hosting a statewide conference of investment professionals and regulators that will take place October 26, 2017, at the Radisson Hotel Harrisburg in Camp Hill.

The conference revives a program last held in 2011, which had been sponsored by the former Pennsylvania Securities Commission. The 2017 conference will be designed to keep investment professionals and their firms up-to-date on changes to federal and state securities laws and regulations, as well as securities offerings registration and exemption requirements.

“This conference will provide a distinctive opportunity for members of Pennsylvania’s securities industry to meet in one place to discuss issues of importance to investing, regulatory matters, and investors,” said Deputy Secretary for Securities Joe Minisi. “Our goal is to help ensure that the professionals and firms we supervise understand the rules under which they are expected to operate as well as make them aware of programs available to help them both navigate Pennsylvania’s regulatory structure and learn how to protect their clients from fraud and financial abuse.”

This daytime conference will be followed by an evening “Money Matters” seminar, designed to provide investors with information on how to protect and grow their money. More information about the conference, including registration, will be available in the spring.



## Department Releases 1st Annual Consumer Services Office Report

Last month, Secretary Robin L. Wiessmann announced the publication of the department’s first Consumer Services Office Annual Report.

This first Consumer Services Office Annual Report focuses on how the department’s Consumer Services Office helps consumers, conveying the story of how the increasingly complex, global, evolving, and interconnected financial services marketplace is affecting millions of people in the commonwealth and other states. The report can be found [here](#) (PDF) on the department’s website.

“Our Consumer Services Office staff members answer inquiries and respond to complaints from thousands of Pennsylvanians each year,” said Wiessmann. “We provide free help to anyone with a question, concern, or complaint about financial institutions, products, or services.”

The department’s Consumer Services Office has been helping people for more than 40 years, and aims to assist consumers with their financial questions. Since 1973, the office has evolved from a single call line into a multidimensional force, assisting numerous consumers on a day-to-day basis.

“The Consumer Financial Protection Initiative is helping Pennsylvanians work towards financial independence, protecting them from illegal financial schemes, and working with the business community to protect senior citizens from financial abuse,” said Secretary Wiessmann. “As a part of this initiative, this report will give the public insight into which financial issues are most affecting Pennsylvanians as well as how to address several of the most-discussed issues.”

## Secretary Wiessmann Appointed to National Committee

Secretary Robin L. Wiessmann has been appointed to the Federal Legislation Committee of the North American Securities Administrators Association (NASAA).

The committee is working on helping NASAA develop its priorities and agenda for working with the 115th Congress. NASAA's agenda for the current Congressional term is comprised of four overarching principles:

- Expand and Strengthen Protections for Senior Investors;
- Promote Investor Confidence Through Effective Regulation;
- Promote a Fair and Transparent Marketplace for Retail Investors; and
- Facilitate Capital Formation Through Federal-State Partnerships.



“In the coming years, the role of state regulators in protecting investors may become more critical than ever,” said Governor Tom Wolf. “I am pleased that Robin Wiessmann will represent the Pennsylvania perspective in Washington, and confident that her work will greatly benefit our community of investors.”



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Steamed? File a complaint. pennsylvania DEPARTMENT OF BANKING AND SECURITIES

## Department Launches Campaign to Help Protect Investors from Fraud

The department has rolled out the “Investor Protection” radio and social media campaign designed to help protect Pennsylvania investors from fraud.

The first phase of a three-year campaign uses the themes “File a Complaint” and “Investigate Before You Invest.” This campaign will use radio in six Pennsylvania media markets as well as Facebook and Instagram.

“Investor education and protection have long been core aspects of our securities regulatory function,” said Secretary Robin L. Wiessmann. “The ‘Investor Protection’ campaign will fulfill three goals: first, to increase awareness among investors – especially senior citizens and their caregivers – of where they can go for help or complain about financial fraud; second, to provide investors with information that will help them protect themselves from fraud; and third, to increase visibility among unregulated ‘bad actors’ who may be deterred from committing fraud, knowing that they will be pursued.”

The Pennsylvania Securities Act of 1972 places emphasis on investor education and includes provisions that enable assessments on the securities industry to be utilized to fund investor education and fraud awareness programs like “Investor Protection.”

To file a complaint visit our complaints page [here](#), or call 1.800.PA.BANKS. To investigate before you invest, visit our page [here](#).

## WQED, Department Expand Perspectives on Saving: “When I’m 65”

WQED in Pittsburgh has announced that it will host a public forum focusing on helping people at different stages of their lives think differently about saving for retirement. The forum will be hosted at the WQED studio (4802 Fifth Avenue) on April 26, 2017. Following the public forum, the station will air the documentary “*When I’m 65*” on May 8 at 8:00 PM.



“*When I’m 65*” gives gloss-free explanations of how the times and timing, even our own psychology, affect us all and offers can-do action plans to answer the questions posed by Baby Boomers, Gen Xers, and Millennials alike, including:

- How should I save with my 401(k) or IRA?
- What if I have to work longer before I can retire?
- What will happen to Social Security?

Last fall, WHYY in Philadelphia and WITF in Harrisburg hosted successful town hall meetings on retirement and aired “*When I’m 65*” in their markets.

Members of the public are invited to attend the WQED town hall meeting in advance of the airing, which will preview the documentary and engage notable figures from finance, retirement planning, and consumer advocacy in discussion of the topics most on the minds of people thinking about retirement savings options.

“*When I’m 65*” was made possible by Detroit Public Television, with the support of state financial regulators (including the PA Department of Banking and Securities), and the Investor Protection Trust and Investor Protection Institute.



## 2017 Bank Holiday Schedule Pennsylvania State-Chartered Banking and Trust Institutions

To assist your institution in preparation of a schedule of holidays, a list of 2017 legal bank holidays as extracted from Section 113 of the Banking Code of 1965, as amended:

When a fixed holiday falls on a Sunday, it shall be observed on the following Monday; when it falls on a Saturday, it may also be observed on the following Monday.

New Year’s Day, January 1, falls on a Sunday in 2017, therefore, institutions must be closed on January 1, and must also be closed on Monday, January 2, 2017.

\*Lincoln’s Birthday, February 12, falls on a Sunday and Veterans’ Day, November 11, falls on a Saturday in 2017. As optional holidays, there is no provision in the Banking Code to observe Lincoln’s Birthday and Veterans’ Day on an alternate day.

### Fixed Holidays

January 1 – New Year’s Day  
 January 16 – Dr. Martin Luther King, Jr. Day  
 May 29 – Memorial Day  
 July 4 – Independence Day  
 September 4 – Labor Day  
 November 23 – Thanksgiving Day  
 December 25 – Christmas Day

### Optional Holidays

February 12 – \*Lincoln’s Birthday  
 February 20 – Washington’s Birthday  
 April 14 – Good Friday  
 June 14 – Flag Day  
 October 9 – Columbus Day  
 November 7 – Election Day  
 November 11 – \*Veterans’ Day

## Department Announces Program to Help Accounting Professionals Prevent Elder Financial Abuse



The department is sharing a new program designed to help members of the accounting profession learn how to identify and protect their clients from elder financial abuse. Executive Deputy Secretary Brian LaForme presented this new program at a training session and webinar last month sponsored by the Pennsylvania Institute of Certified Public Accountants.

“Older persons are often the targets of scams, and they face an increasing number of risks,”

The program is an extension of the Elder Investment Fraud and Financial Exploitation Protection and the Senior Safe programs, which are currently offered to health care, legal, and investment professionals. These professionals can benefit by receiving continuing education credits, and their clients and communities have an additional front-line of defense against elder financial abuse.

“Older persons are often the targets of scams, and they face an increasing number of risks,” Secretary Robin L. Wiessmann said. “Our hope is that this program, which is being used successfully throughout Pennsylvania, will enable accounting professionals who work closely with older clients to identify signs of elder financial abuse and take appropriate action to protect their clients.”

These programs are offered in Pennsylvania through collaboration with the Investor Protection Trust and the North American Securities Administrators Association. To inquire about training for your professional organization, email [informed@pa.gov](mailto:informed@pa.gov).



### How are we doing?

Take a short online readers survey and let us know how we are doing. Have suggestions for topics or articles? Want more information on regulations or news affecting your organization or business?

[Click here](#)

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## NASAA Waives IARD System Fees for Investment Adviser Firms

The North American Securities Administrators Association has waived the **Investment Adviser Registration Depository** (IARD) system fees for investment adviser firms, many of which are small, local businesses, and the continuation of substantially reduced initial set-up and annual system fees paid by investment adviser representatives (IARs).

For 2017, the initial IARD set-up and renewal fee will continue to be \$10 for IARs, reduced from the \$45 charged when the IARD system first became operational. NASAA's Board of Directors will monitor the IARD system's revenues and, if warranted, make future adjustments to ensure the effective and efficient operation of the system.

The IARD system is an Internet-based national database sponsored by NASAA and the Securities and Exchange Commission (SEC) that provides investment advisers and their representatives a single source for filing state and federal registration and notice filings. The IARD serves state and federal regulators as a nationwide database for the collection and dissemination of information about individuals and firms in the investment advisory field. IARD system fees fund user and system support and for enhancements to the system.

The system contains the employment and disciplinary histories of more than 29,000 investment adviser firms and more than 330,000 individual investment adviser representatives. This information is used to help the public research an investment adviser's background through the **Investment Adviser Public Disclosure** (IAPD) database, which provides instant access to registration documents filed by SEC- or state-registered investment advisers.

Assessment and supporting materials based on questions received by the FFIEC members over the course of the last year.

The FFIEC is an interagency body of federal and state regulators that promotes uniformity in the supervision of financial institutions.



## ComplianceCorner

### 4th Quarter 2016 Enforcement Orders

The Department of Banking and Securities issued 11 enforcement orders during the fourth quarter of 2016. Fines and assessments for these orders totaled \$154,975, including:

- Four Consent Agreement and Orders and three Orders to Show Cause issued for violations of the Pennsylvania Securities Act of 1972;
- Two Consent Agreement and Orders issued for violations of the Mortgage Licensing Act; and
- Two Consent Agreement and Orders issued for violations of the Consumer Credit Code.

Additionally, two mortgage licenses were surrendered, and an individual and two companies were permanently barred from the securities industry in Pennsylvania.

Comprehensive lists of enforcement orders administered by the Department of Banking and Securities are available online at [dobs.pa.gov](http://dobs.pa.gov). Anyone can ask questions or file complaints concerning financial products or services by calling **1.800.PA.BANKS** (or 800.600.0007) or clicking ([here](#)).

# Cybersection

## Personal Identifiable Information: A Cybersecurity Cautionary Tale

Last year, the Securities and Exchange Commission fined Morgan Stanley Smith Barney LLC \$1 million after an employee stole personal identifiable information for approximately 730,000 customers.

The employee downloaded customer information onto a personal data storage device through his personal website. Portions of this information were subsequently posted on the Internet after a third party hacked the employee's personal data storage device. The data breach was discovered by Morgan Stanley during a routine Internet sweep.

The SEC determined that the policies and procedures Morgan Stanley had in place were ineffective in limiting access to and safeguarding confidential customer information. Further, Morgan Stanley failed to conduct any auditing or testing that would likely have exposed the flaws in its system or monitor user activity to identify unusual or suspicious patterns. Finally, Morgan Stanley did not have filtering software in place that prevented employees from accessing uncategorized websites, like the employee's personal webpage, from company computers.

In fining Morgan Stanley, the SEC found the company had failed to adopt policies and procedures to protect customer records as required by the Safeguard Rule. The Safeguard Rule, adopted in 2000, requires broker-dealers and investment advisers to adopt written policies and procedures that:

- Ensure the security and confidentiality of customer records and information;
- Protect against any anticipated threats or hazards to the security or integrity of customer records and information; and
- Protect against unauthorized access to or use of customer records or information that could result in substantial harm or inconvenience to any customer." 17 C.F.R. § 248.30(a).

The SEC's order is available [here](#) (PDF).



## Milestone for 'The Quarter' as it Reaches 30

Back in 2009, the idea of issuing a newsletter for the department seemed both engaged and short-lived. **Thirty** issues later, the newsletter is still a robust and informative resource for Pennsylvania.

So much has changed since the first issue of "The Quarter," including a merger with the Pennsylvania Securities Commission.

Want to see just how much has changed? Read archived issues [here](#), or sign up to receive the newsletter [here](#).

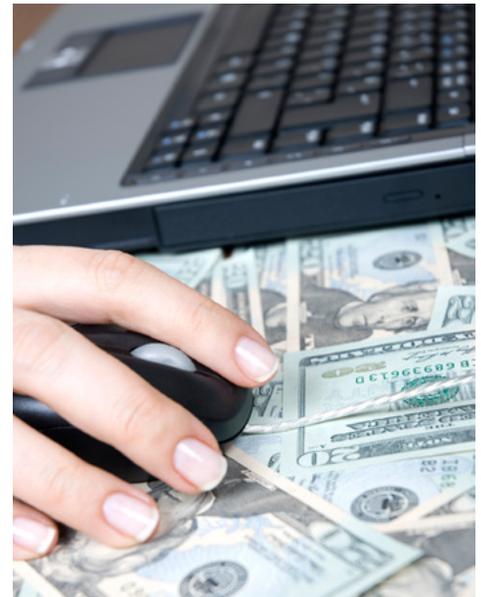


## Amendments to Money Transmitter Act Signal ‘Significant Changes’

The department has issued guidance to businesses engaged in the transmission of money following passage of amendments to the Money Transmission Business Licensing Law, signed into law by Governor Wolf in November as Act 129 of 2016 (“the Act”). The law became effective on January 2, 2017.

A Secretary’s Letter (online [here](#)) discusses issues such as the definition of which transactions fall under the scope of the Act, consumer protections, standards for licensees, bonding requirements, manner of operation, regulatory reporting, and penalties. Issues include:

- Requires licensee tangible net worth of at least \$500,000;
- Clearly defines the department’s expectations of applicants for licensure and renewal;
- Clarifies bonding requirement of licensees;
- Specifies that licensees’ businesses must be operated in a “safe and sound manner”;
- Specifies that licensees must register all agents;
- Specifies that licensees must file regulatory reports to NMLS; and
- Increases penalties for violations of the Act.



Act 129 of 2016 can be found online [here](#) (PDF)

“I am pleased that the Act provides necessary updates and modernization of an important financial services statute, and look forward to working with our licensees in order to seamlessly implement this legislation,” Secretary Robin L. Wiessmann said. “It is critical to note that this law creates significant changes in the way money transmitters conduct business in Pennsylvania, and that its provisions become effective January 2, 2017.”

Owners and legal representatives of Pennsylvania money transmission businesses can contact the department’s Licensing Office with questions at 717.787.3717 or [ra-AskLicensing@pa.gov](mailto:ra-AskLicensing@pa.gov).

## Research Region



Source: The Federal Reserve Bank of New York’s Household Debt and Credit Report

### Non-Mortgage Debt Balance 2004 - Present

